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1919

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FINANCIAL NEWS AND COMMENT

Investment Buying Revives on Progress of Campaign for Retrenchment.

CREDIT STRAIN LESSENEDE

Signs in Extraordinary Situation Are Hopeful—Price Cuts' Effects.

By WILLIAM JUSTUS BOIES.

Business is being stabilized on a lower basis, and the average man and woman is trying to think again in terms of pre-war expenditure. It is a change of large significance, and the readiness with which merchants have met the conditions shows that the time has been reached when some measure provided for the price cutting campaign dominates all markets and is relieving the credit strain elsewhere in the United States, which is fortunate because discounts secured by commercial paper, as reported by the Federal Reserve System, have just touched their highest point. The pressure on the bank position has been acute.

Effect of Price Cuts.

As a consequence of price concessions announced, the daily cost of doing business has been reduced, and bankers breathe easier. Had the price advances been checked many banks sooner or later would have been forced into merchanting on a large scale, and the whole country would have suffered. That danger has been averted through orderly deflation, extending from producer to retailer, and the country is by degrees getting rid of its enormously inflated price level and the evils which resulted from it. Liquidation of immense stocks of high priced merchandise, which could not be profitably needed in other quarters. Had it not been that the reserve banks of Boston, Cleveland, Philadelphia and San Francisco were in a position to take more than \$250,000,000 of loans and acceptances held by the other eight reserve institutions, the adjustment of the October 1 settlement last week would have been difficult. The present situation has been strengthened materially by the lower price level which the country has adopted, and as the process is likely to go a good deal further more relief is in sight.

Grounds for Optimism.

Countrywide readjustment of merchandise prices, therefore, which is likely to extend a good deal further, is the most favorable development in business affairs since cessation of hostilities. It has brought dreamers down to earth and many thousands of manufacturers, producers, wholesalers and retailers realize that the people cannot be made to pay war prices indefinitely and that price schedules must be readjusted to a peace basis as soon as this can be accomplished in orderly fashion, which will mean scaling down war profits and losses, which were never expected when successive price advances of the last five years were taken into account. The fact that the present movement was initiated by manufacturers suggests permanency and shows that production costs must be reduced sooner or later. The reduction is being made along lines of caution. Negotiations and in many cases calculated to safeguard the small producer and the small merchant. It has originated in the refusal of banks to extend credit to those engaged in withholding commodities from the market. Consistent adherence to that policy has been maintained and adopted by for an enormous volume of essential merchandise by manufacturers impossible. The result was a general movement to unload merchandise stocks by offering them at prices likely to attract buyers.

Quick Public Response.

The public responded quickly and almost buyers are now universally allowed to buy on a falling market than a rising market those engaged in the price cutting campaign have done a much larger business at the new price level. Many prices will still be lower, although there is nothing in the situation to suggest that reductions will continue. The public is not so easily scared off by a price cut as it is by a price increase, and raw material as such are not as they are raw material at present quotations. But the country is getting back to a safe trading basis, business is being readjusted to normal standards and the community is evincing again a wholesome respect for minor coins, a good sign. There is nothing essentially wrong with the present situation. Wage earners go to work in silk shirts and patent leather shoes. That is what many have been doing since the days of rush orders and heavy overtime allowances gave thousands of employees in munition plants, steel mills and industrial works greater weekly earnings than ever before. All classes of spending are doing better now than ever before, and getting better value than in the days of record profits and luxury outlays.

Country's Spending Power.

The country's buying power is practically as great as ever it was except in sections in which plants have shut down and are not yet ready to start again. With the lessened demand for luxuries savings deposits have risen and people have increased their investments in real estate and essential merchandise. The average worker is sulking less and giving more for what he gets. The industrial slacker is not the menace he was once because the great railroad, like the great financial institution, has him out and keeping only worth while labor, which is doing everybody good and hastening the day when labor will regain its pre-war efficiency. The country has increased its primary wealth to an amazing extent through the production of many extremely valuable crops now being harvested. They are in demand abroad as well as here, and will be the basis of a lucrative foreign trade if adequate credit facilities can be arranged. That situation has been aggravated somewhat by low purchasing power of foreign nations wishing to do business here, and although credit facilities have been improved there is a large work for newly organized foreign trading corporations to do in pushing further American trade abroad. Importers may be looked for soon after the year opens, for the field has been carefully canvassed by experts representing the largest banking interests in this country.

Broader Investment Buying.

The investing public, realizing the betterment in basic conditions growing out of the price cutting campaign, increased thirst, greater labor efficiency and promise of a superb harvest, has so extended its investment in stocks, bonds and safe bonds as to advance after-tax stocks last week to the year's highest level provide an immediate market for Norway's \$20,000,000 of 8 per cent. bonds and the Bell Telephone Company of Pennsylvania's \$25,000,000 bond issue. Those purchases following so close upon the adoption of the French Government's \$100,000,000 loan show that the shrewd security buyers are evidencing their faith in the future by investing heavily in long term securities put out by home and foreign borrowers. When the Anglo-French loan matures on October 15 some \$300,000,000 additional, it

is estimated, may be available for reinvestment, which, with the heavy disbursements of October dividends, ought to give fresh strength to the investment market.

The public is avoiding speculation, but is investing its savings in good securities which will provide generous incomes for many years, an important change which means that the bond market is righting itself again and that a progressive advance with temporary interruptions may be expected. Further large loans are to be brought out, but bankers are restricting flotation in such a way as not to congest the market or cause such an outflow of new issues as shall bring again the vicissitudes of the rich men's panic of 1903. The country is not through with its overborrowing, and efforts are underway to strengthen the recovery and put the market on a normal basis.

The American people at last are recovering on private and public economies and such an increase in the industrial output a unit of workers shall enlarge greatly production and strengthen credit.

The money market is showing some improvement and the credit strain is not

as acute as it was. But the pressure on the American money market from all quarters is severe enough to suggest that interest rates will continue to rise, and though the market may not be exposed to pressure resulting from complications abroad as well as at home, but the nation is emerging from the struggle with its banking reserves intact, the best productive machinery in the world, its people living more frugally, and its labor co-operating more sensibly with capital as a consequence of financial and business readjustment.

strengthening their positions and credit strain in many respects is being relieved.

It has been a harder struggle to get the public appreciated that the market

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